

Red Star Macalline Group Corporation Ltd.
Working Rules of the Audit Committee under the Board of Directors

Chapter 1 General Provisions

Article 1 In order to improve the Company's corporate governance and standardise the operation of the Audit Committee under the Board of Directors, these Working Rules are formulated in accordance with the *Company Law of the People's Republic of China* (hereinafter referred to as the "*Company Law*"), the *Code on Corporate Governance for Listed Companies*, the *Administrative Measures for Independent Directors of Listed Companies*, the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* (hereinafter referred to as the "*SSE Listing Rules*"), the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (hereinafter referred to as the "*Hong Kong Listing Rules*"), and the *Articles of Association of Red Star Macalline Group Corporation Ltd.* (hereinafter referred to as the "*Articles of Association*"), and other relevant provisions.

Article 2 The Board of Directors of the Company shall establish an Audit Committee, which shall be accountable to the Board. The Audit Committee shall exercise such functions as are vested in the Supervisory Board under the *Company Law*, and shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external audits, and supervising and evaluating the internal control system.

Chapter 2 Composition and Working Body of the Audit Committee

Article 3 The Audit Committee shall be composed of three to five Non-executive Directors, of whom a majority shall be Independent Non-executive Directors. All members shall possess the professional knowledge and business experience necessary to perform the duties of the Audit Committee, and at least one Independent Non-executive Director among them shall be an accounting professional, meeting the requirements of the stock exchange(s) where the Company's shares are listed. Employee representatives among the members of the Board of Directors of the Company may serve as Members of the Audit Committee. The Audit Committee shall have one Chairman, who shall be responsible for presiding over the work of the Committee, and shall be taken by an accounting professional among the Independent Non-executive Directors. The Chairman and other Members of the Audit Committee (collectively referred to as the "Members") shall be nominated by the Chairman of the Board, a majority of the Independent Non-executive Directors, or more than one-third of all the directors, and shall be decided by the Board.

The Chairman of the Audit Committee shall be responsible for presiding over the work of the Committee, convening and presiding over regular and extraordinary meetings of the Audit Committee, supervising and inspecting the implementation of resolutions adopted at Audit Committee meetings, signing important documents of the Audit Committee, and exercising other duties as may be delegated by the Board.

Article 4

The term of office of the Members of the Audit Committee shall be the same as that of the Directors. A Member may serve consecutive terms if re-elected upon the expiry of his/her term of office.

No Member shall be removed from office without cause before the expiry of his/her term of office, unless such Member is disqualified from holding office under applicable laws and regulations, the *Articles of Association* or these Rules. If a Member ceases to serve as a Director of the Company before the expiry of his/her term of office, his/her membership of the Committee shall automatically lapse, and the Board shall fill the vacancy in accordance with Article 3 above.

Article 5

A former partner of the existing accounting firm engaged to audit the Company's accounts shall be prohibited from acting as a Member of the Audit Committee for a period of two years from the date (whichever is later) of:

- (I) his/her ceasing to be a partner of such accounting firm; or
- (II) his/her ceasing to have any financial interest in such accounting firm.

Article 6

A working body shall be established under the Audit Committee, which shall be responsible for the daily operation of the Committee and for maintaining communication and liaison with the Chairman and other Members of the Committee. The working body of the Audit Committee shall be the Audit and Supervision Department of the Company.

The Securities Affairs Department of the Company shall be responsible for coordinating the meeting arrangements between the Audit Committee and the Board, issuing notices of Audit Committee meetings, and handling other related matters.

Chapter 3 Duties of the Audit Committee

Article 7

The Audit Committee shall perform the following specific duties:

- (I) Examining the Company's financial affairs, reviewing financial information and its disclosure, deliberating on proposed changes to accounting policies and accounting estimates, and giving opinions to the Board.

In reviewing the Company's financial reports, financial statements and periodic reports, and giving opinions thereon, the Committee shall, at a minimum, address the following:

1. Reviewing the Company's financial statements, annual reports and accounts, semi-annual reports and quarterly reports, and reviewing the significant judgements on financial reporting contained therein, and giving opinions on the truthfulness, completeness and accuracy of the financial reports;
2. Focusing on significant accounting and auditing issues in the Company's financial reports, including material accounting error adjustments, any changes in accounting policies and estimates, any changes in accounting practices, matters involving significant accounting judgements, material adjustments arising from the audit, the going concern assumption and any qualifications, compliance with accounting standards, and matters resulting in modified audit opinions;
3. Paying special attention to the existence of any fraud, misconduct or possibility of material misstatement in relation to financial reporting;
4. Monitoring the rectification of issues identified in financial reporting; and
5. Compliance with the *Hong Kong Listing Rules* and legal requirements relating to financial reporting.

In reviewing the Company's financial reports, financial statements and periodic reports and giving opinions thereon:

1. The Members shall liaise with the Board of Directors, senior management and the engaged Auditor of the Company; the Audit Committee shall meet at least twice a year with the Company's independent External Auditor;
 2. The Audit Committee shall consider any significant or unusual items reflected or to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting, financial, internal audit or supervisory personnel, or by the engaged Auditor.
- (II) Supervising the formulation and implementation of the internal audit system, reviewing the annual audit plan and key audit tasks and supervising their implementation upon approval by the Board, studying major audit conclusions and rectifications, and guiding the effective operation of the internal audit department.
- (III) Supervising and evaluating the effectiveness of the Internal and External Auditors, making recommendations to the Board regarding the adjustment of the head of the Internal Audit Department, the engagement or dismissal of the accounting firm and the determination of its remuneration, and handling any matters relating to the resignation or dismissal of such Auditor, and maintaining good communication with the External Auditor.
1. Reviewing and monitoring whether the External Auditor is independent and objective and whether the audit procedures are effective.
 2. Discussing and communicating with the External Auditor, and discussing with the Auditor the nature, scope and relevant reporting obligations of the audit prior to the commencement of such audit.
 3. Formulating and implementing policies on the provision of non-audit services provided by the External Auditor, and reporting to the Board and making relevant recommendations on any matters requiring action or improvement.
 4. Acting as the principal representative between the Company and the External Auditor for overseeing their relationship.

5. Reviewing the Management Letter submitted by the External Auditor to the management, any material queries raised by the Auditor to the management regarding accounting records, financial accounts or control systems, and the management's responses thereto. Ensuring that the Board provides a timely response to the matters raised by the External Auditor in the Management Letter.
- (IV) Guiding the establishment of the Company's internal control system, and supervising and evaluating the effectiveness of the relevant systems.
 - (V) Supervising the performance of duties by Directors and senior management, and requiring them to rectify any acts that damage the Company's interests; making recommendations on the pursuit of accountability or removal of Directors and senior management who violate laws, administrative regulations, state-owned asset supervision and administration rules, the *Articles of Association*, resolutions of the shareholders' meeting or resolutions of the Board.
 - (VI) Making recommendations, in accordance with the relevant provisions of the *Company Law*, on initiating legal proceedings against Directors and senior management who cause losses to the Company by violating laws, administrative regulations, state-owned asset supervision and administration rules or the *Articles of Association* in the performance of their duties.
 - (VII) Proposing motions to the shareholders' meeting, proposing to the Board the convening of an extraordinary shareholders' meeting, and convening and presiding over the shareholders' meeting where the Board fails to perform its duty of convening and presiding over the shareholders' meeting.
 - (VIII) Identifying the list of connected parties of the Company and reporting to the Board; conducting preliminary review of connected transactions to be submitted to the Board for consideration and approval.
 - (IX) Conducting research, analysis and risk assessment on the Company's sustainable development and ESG-related matters, reviewing the Company's sustainable development report (ESG report), supervising its implementation, and making recommendations to the Board.
 - (X) Reporting its decisions or recommendations to the Board, unless such reporting is prohibited by law or regulatory restrictions.

- (XI) Other matters as required by the Board of the Company.
- (XII) Other relevant requirements relating to the duties and authorities of the Audit Committee as may be prescribed by the listing rules of the stock exchange(s) where the Company's shares are listed, as amended from time to time.

Article 8

The following matters shall be submitted to the Board for consideration after being approved by a majority of all the Members of the Audit Committee:

- (I) Disclosure of financial accounting reports, financial information in periodic reports, and internal control evaluation reports;
- (II) Engagement or dismissal of the accounting firm engaged to undertake the Company's audit;
- (III) Appointment or removal of the Company's Chief Financial Officer;
- (IV) Changes in accounting policies or accounting estimates, or correction of material accounting errors, for reasons other than changes in accounting standards; and
- (V) Other matters as stipulated by laws, administrative regulations, provisions of the China Securities Regulatory Commission, and the *Articles of Association*.

Article 9

The Audit Committee shall review and monitor the independence of the External Auditor in accordance with the following procedures:

- (I) Studying all relationships between the Company and the Auditor (including non-audit services);
- (II) Requesting information annually from the Auditor on the policies and procedures adopted by the Auditor to maintain its independence and to monitor compliance with relevant rules, including provisions on the rotation of partners and staff of the Auditor;
- (III) Holding at least one meeting per year with the External Auditor, without the presence of management, to discuss matters relating to audit fees, any matters arising from the audit, and other matters raised by the Auditor. The Secretary to the Board may attend the meeting as a non-voting participant.

When the Audit Committee communicates with the External Auditor, the Internal Audit Department shall actively cooperate and provide necessary support and assistance.

- Article 10** The Audit Committee shall report to the Board on any measures or improvements it considers necessary, and make recommendations accordingly.
- Article 11** The Audit Committee shall be accountable to the Board. Unless otherwise provided by laws, administrative regulations, the China Securities Regulatory Commission, the stock exchange(s) where the Company's shares are listed, or the *Articles of Association*, or otherwise authorised by the Board, proposals of the Audit Committee shall be submitted to the Board for consideration and decision.
- Article 12** Where the Audit Committee considers it necessary, it may engage an intermediary to provide professional opinions. The Company shall provide the Audit Committee with the necessary funding and other resources for the performance of its duties.
- Article 13** In performing the duties set out in these Rules, the Audit Committee shall not assume any obligation to plan or execute audit activities, nor shall it assume any obligation to ensure the completeness and accuracy of the Company's financial reports or to prepare financial reports. The management of the Company shall be responsible for the preparation of the Company's financial reports, and the accounting firm shall be responsible for the audit of the financial reports.
- Article 14** The Audit Committee shall, upon the invitation of the Chairman of the Board, attend the Company's annual general meeting and answer questions thereat, represented by the Chairman of the Committee (or, in his/her absence, another Member or his/her authorised representative).

Chapter 4 Working Procedures for Annual Report

- Article 15** Prior to the commencement of the audit for annual financial report, the Audit Committee shall consult with the accounting firm engaged to conduct the audit to determine the timetable for the audit.
- The Audit Committee shall urge the accounting firm to submit the audit report within the agreed timeframe.
- Article 16** After the certified public accountants responsible for the annual financial report audit (hereinafter referred to as the "Annual Audit CPAs") have commenced their work, the Audit Committee shall strengthen communication with them. After the Annual Audit CPAs have issued their preliminary audit opinions, the Audit Committee shall review the Company's financial statements and, in principle, form written opinions.

Article 17 The Audit Committee shall vote on the annual financial statements and, upon adoption of a resolution, submit the resolution to the Board for review. Meanwhile, the Audit Committee shall submit to the Board a summary report on the accounting firm's audit for the year and a resolution on the reappointment or replacement of the accounting firm for the following year.

Chapter 5 Meetings of the Audit Committee

Article 18 Meetings of the Audit Committee shall consist of regular meetings and extraordinary meetings.

The Audit Committee shall hold at least one meeting per quarter. Extraordinary meetings may be convened as needed. An extraordinary meeting may be convened upon the proposal of two or more Members, or when the Chairman of the Audit Committee considers it necessary.

Article 19 Notices of Audit Committee meetings shall be given to all Members at least three days in advance by telephone, email or facsimile, specifying the time and place of the meeting, the method of convening, the subject matter and agenda, the convener and the chairperson, and relevant information and materials shall be provided to each Member.

Article 20 Meetings of the Audit Committee shall be presided over by the Chairman. If the Chairman is unable or refuses to perform his/her duties, he/she shall designate another Member to act on his/her behalf.

Article 21 A meeting of the Audit Committee shall be held only if at least two-thirds of the Members are present.

Members of the Audit Committee shall attend the meeting in person or by telephone conference, and shall express clear opinions on the matters under deliberation. If a Member is unable to attend the meeting in person for any reason, he/she may appoint another Member in writing to attend the meeting on his/her behalf and express opinions, provided that the written proxy specifies the scope and duration of the authorisation. Each Member may accept proxy from no more than one other Member. If an Independent Non-executive Director who is a Member is unable to attend the meeting for any reason, he/she shall appoint another Independent Non-executive Director who is a Member to attend the meeting on his/her behalf.

- Article 22** Where the Audit Committee considers it necessary, it may invite representatives of the External Auditor, senior management of the Company, internal audit personnel, financial personnel, legal personnel and other relevant persons to attend the meeting as non-voting participants, and provide necessary information.
- If necessary, the Audit Committee may invite an intermediary to attend the meeting as a non-voting participant, and provide professional opinions for its decision-making. The Audit Committee shall enter into a confidentiality agreement with the intermediary attending the meeting, and the reasonable expenses incurred thereby shall be borne by the Company.
- Article 23** Voting at meetings shall be conducted by poll. Each Member shall be entitled to one vote. Resolutions made at the meeting shall be passed by a majority of all the Members.
- If a Member of the Audit Committee has an interest in a matter under discussion at the meeting, such Member shall abstain from voting. Where a valid opinion cannot be formed due to the abstention of Members, the matter shall be directly considered by the Board.
- Article 24** Meetings of the Audit Committee shall, in principle, be held on site. Where necessary, and provided that all Members are able to fully express their opinions, meetings may, with the consent of the convener (chairperson), be held by video, telephone or communication voting, or by a combination of on-site and other means.
- Article 25** Proposals and voting results adopted at meetings of the Audit Committee shall be submitted to the Board in writing.
- Article 26** Members present at the meeting and other attendees shall be obliged to keep confidential all matters discussed at the meeting, and shall not disclose relevant information without authorisation.
- Article 27** Minutes shall be kept for meetings of the Audit Committee, and shall be signed by the Members present. The minutes shall be retained by the Secretary to the Board for a period of no less than ten years. The minutes shall record, in sufficient detail, the matters considered and decisions reached at the meeting, including any concerns or dissenting opinions raised by any Member. After conclusion of the meeting, the initial and finalised meeting minutes shall be sent to all the Members in due time, with the initial ones to be commented on by the Members and the final ones to be recorded. If any Director gives reasonable notice, the Company shall make such minutes available to such Director for inspection within a reasonable time.

Chapter 6 Supplementary Provisions

- Article 28** The phrases “more than” and “at least” as referred to herein are inclusive while “majority” is exclusive.
- Article 29** Matters not covered herein shall be subject to relevant laws and regulations, the *SSE Listing Rules*, the *Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the place where the Company’s shares are listed, and relevant provisions of the Articles of Association. If any provision of these Rules conflicts with any relevant laws and regulations, the *SSE Listing Rules*, the *Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the place where the Company’s shares are listed, or the *Articles of Association* as promulgated or amended thereafter, such provision shall be subject to the relevant laws and regulations, the *SSE Listing Rules*, the *Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the place where the Company’s shares are listed, and the *Articles of Association* (whether current or as amended thereafter).
- Article 30** These Rules and any amendments hereto shall become effective as of the date of consideration and approval at a meeting of the Board of the Company.
- Article 31** The authority of interpretation of these Rules shall be vested in the Board of the Company.